

# FINANCIAL AND COMPLIANCE REVIEW GUIDE

## Market Access Program

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This guide provides instructions for performing a financial and compliance review of a Market Access Program (MAP) Participant. It provides direction for determining whether the Participant:

1. Met its MAP agreement financial and administrative responsibilities,
2. Claimed only authorized, reasonable, and documented expenses, and
3. Reported only eligible and documented contributions, and provided the required percentage match.

The instructions outlined in this guide apply to both the Participant's U.S. and overseas offices.

A compliance review checklist covering the segments contained in this guide is provided for the reviewer as a control worksheet. Because of the variety of participant organizations, reviewers must use their professional judgment to tailor the guide and checklist to meet specific conditions at the review site.

## BACKGROUND

The MAP uses funds from the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) to help U.S. producers, exporters, private companies, and agricultural trade organizations to finance promotional activities for U.S. agricultural products.

The MAP is authorized by Section 203 of the Agricultural Trade Act of 1978.

The MAP forms a partnership between trade associations, cooperatives, state-regional trade groups and USDA's Commodity Credit Corporation to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, technical assistance, and trade servicing. It is administered by USDA's Foreign Agricultural Service (FAS).

Under the MAP, funds from the CCC are used to partially reimburse program participants conducting approved foreign market development projects for eligible products in specified countries.

Applications for the MAP are developed by trade organizations and private firms and submitted to FAS as part of the Unified Export Strategy (UES), the process that allows applicants to submit a single, consolidated marketing plan and strategy and request funding under various USDA market development

programs.

Upon approval of a MAP application, FAS sets a program funding level and signs a program agreement with each participant.

MAP regulations (7 CFR 1485) define program requirements, including cost-sharing, strategic planning, export goals, reimbursement procedures, records and report requirements, and activity evaluations.

All participants must keep and itemized list of expenses incurred during the program year and submit them to FAS for reimbursement. All expenses are subject to audits and participants are held accountable for maintaining proper documentation for the program.

## GENERAL REVIEW INSTRUCTIONS

### A. PRELIMINARY REVIEW WORK

1. Schedule and confirm review

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dates with the Participant.

2. Notify the Agricultural Counselor/Attache/Trade Officer of scheduled itinerary for review of Participant's overseas offices.
3. Read or be familiar with the MAP Regulations (7 CFR 1485), MAP Notices, and any other CCC policies and instructions relating to the MAP.
4. Review prior review report and working papers. Note report findings and recommendations, and their resolution. During the course of the current review, determine their present status.
5. Review the MAP agreement, UES, and approval letter(s). These documents are filed with either the Marketing Operations Staff (MOS) or the Division Marketing Specialist.
6. Through discussion with the Marketing Specialist and review of correspondence files, determine whether any problems or special conditions exist.
7. Obtain a schedule of advances and reimbursements made by CCC during the review period from the UES data base. This schedule can serve as the control worksheet for advances and expenses examined during the review period.

#### **B. ENTRANCE CONFERENCE.**

Meet with Participant officials at the start of the review to discuss the purpose and scope of the review, and any potential problem areas.

#### **C. WORKING PAPERS.** Support all findings by working papers.

Each working paper should identify the (1) purpose or objective for developing and analyzing information in each review area; (2) scope of the review coverage; (3) source of the data reviewed; (4) conclusions as to the facts developed; and (5) appropriate recommendations.

Cross-reference the working papers to the review report and review check list.

#### **D. EXIT CONFERENCE.** Meet with Participant officials at the end of the review to discuss all findings and recommendations. Include a summary of the meeting along with a list of attendees in the review working papers.

#### **E. REVIEW REPORT.** A review report containing all findings, observations, conclusions, and recommendations resulting from the review must be issued to the Participant as soon as possible, but no later than 60 days following completion of the review. The Participant will be asked to respond to the report within 60 days after the issue date of the report.

### **SPECIFIC REVIEW TASKS**

#### **A. FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM CONTROLS REVIEW**

1. **Purpose.** To determine whether the Participant has a financial management and accounting system in place that conforms to generally accepted accounting principles.
2. **Reference.** 7 CFR 1485.20.

#### **3. Review Steps.**

- a. Identify Participant personnel responsible for managing the MAP. Evaluate whether the Participant provides sufficient U.S.-based and overseas office staff to effectively manage the MAP.
- b. Determine whether the Participant has written instructions and authorizations supplementing the MAP regulations for U.S. based and overseas office use. Evaluate the adequacy of any written instructions.
- c. Verify that the Participant's accounting system provides:
  - (1). Effective controls and accountability for all activity funds and for property purchased with MAP resources.
  - (2). Retention and maintenance of records which provides budgetary control for each activity.
  - (3). Original receipts for all expenditures in excess of \$25 and receipts for all STRE expenditures regardless of value.
  - (4). Cross references between all accounting records and source documentation.
  - (5). A direct means or

audit trail for verifying recorded data with reimbursement claims and expense documentation.

- (6). Procedures for determining the allowability of MAP expenses. In most cases, control is provided by an employee who determines whether an expenditure is allowable before it is posted to the activity records and claimed for reimbursement.

- (7). Periodic reconciliation of program obligations, expenditures, and unexpended balances with reports received from CCC.

- d. Obtain and review the annual audit report, including the management letter, prepared by the Participant's independent public accountant.
- e. Determine whether the Participant has procedures to resolve audit and review findings, and recommendations.

## **B. PROGRAM ADVANCES**

1. **Purpose.** To determine whether advances are accounted for properly and fully expended within 90 days after issuance.

2. **Reference.** 7 CFR 1485.18; MAP 00-004.

### **3. Review Steps.**

- a. Verify that the advance balance on the Participant's records agrees with the advance balance on CCC records.
- b. Verify that advances are deposited in an insured, interest bearing account.
- c. Select a sample of advances and verify that:
  - (1). The Participant's procedures minimize the time elapsing between the transfer of funds from CCC and their disbursement.
  - (2). Advances are fully expended within 90 days after the date of disbursement by CCC or returned to CCC along with all interest earned on the advance.
  - (3). Interest earned on advances was reported/remitted as required.

## **C. PROGRAM INCOME**

1. **Purpose.** To determine whether the Participant has properly identified and applied program income.

2. **Reference.** 7 CFR 1485.23(h).

### **3. Review Steps.**

- a. Determine whether the Participant generated income from CCC funded activities.

- b. Verify that MAP generated income was used to offset activity costs or returned to CCC.

## **D. ACTIVITY EXPENSES**

1. **Testing Expenses.** This section provides guidance for determining the level of testing required and how the review sample should be selected.

The scope and extent of testing of activity expenses are matters of professional judgment and are determined on a case-by-case basis. Sufficient testing must be done to permit an informed opinion on the expenses reviewed. Among the factors to consider in making this determination are:

- a. The total dollar amount of all activities.
- b. The dollar amount of the individual activity expense totals in relation to the total dollar amount of all activities.
- c. The probability of finding questioned expenses. For example, travel expenses are more likely to contain questioned expenses than office supplies because of the specific regulatory requirements regarding travel expenses.
- d. The adequacy and reliability of the Participant's accounting system, records, supporting documentation, and internal controls.
- e. Problem areas

encountered during the review period.

There are several ways to select samples including both judgmental and statistical methods. Generally, the objective is to obtain a sample that is representative of all actions. With either method, include all reimbursement claims during the current review period to have the total population of expenses from which to select the sample.

Samples may include all expenses or be segmented by expenses category, such as trade servicing, travel, salaries and benefits, or contracted services. However segmented, document the sample selection methodology for each segment reviewed.

Clearly explain the scope and extent of testing in the review working papers.

## 2. **Questioning Expenses.**

Specific criteria for determining the allowability of claimed expenses are contained in the MAP regulations and notices, and are referenced in this guide under the specific expense category review procedures that follow.

When reviewing expenses, evaluate each item to determine whether it is an acceptable charge to the MAP based upon the above criteria. Expenses that do not meet the above criteria should be questioned.

Questioned expenses generally fall under one or more of the following categories:

- a. **Unauthorized.** An expense that is specifically unauthorized under the MAP regulations. Examples are, business cards, product samples, the excess of premium class airfare over full fare economy.
- b. **Undocumented.** An expense for which sufficient supporting documentation is not available. Examples are, STRE supported only by a credit card voucher, branded expenses lacking proof of payment.
- c. **Unreasonable.** An expense which may not be specifically unauthorized or undocumented, but which does not reflect the action that a prudent person would have taken under the circumstances and conditions that existed at the time the expenditure was made. Examples are, purchase of a year's supply of materials in the last month of the activity year, or contracting for professional service fees that exceed normal market rates for those fees.

Include questioned expenses as findings in the review report.

## 3. **General**

- a. **Purpose.** To determine that MAP resources were only used to reimburse expenditures made to further an approved activity, for which the participant has not been

or will not be reimbursed by any other source.

- b. **Reference.** 7 CFR 1485.16 & 1485.17.

## c. **Review Steps.**

- (1). Check reimbursement claims for mathematical accuracy and proper certification for payment.
- (2). Selectively trace activity expense line items on reimbursement claims into the general and/or subsidiary ledgers.
- (3). Test expenditures made at the beginning of an activity to ensure that they were not made prior to CCC's approval of the activity.
- (4). Selectively trace activity plan expenditures to source documentation. Verify that the expenses were authorized, adequately documented, and reasonable.
- (5). Selectively trace activity plan expenditures to payment documents (e.g., canceled checks, wire transfers.)
- (6). Test expenditures made at the end of

the activity plan year to ensure that they were for an activity that was approved prior to the end of the activity plan year, and the activity was completed within 30 calendar days following the end of the activity plan year.

#### **E. Nonexpendable Project Property and Leases**

1. **Purpose.** To determine that the Participant's property management system adequately accounts for and safeguards project property, and CCC's monetary interest is protected when project property is disposed.
2. **Reference.** 7 CFR 1485.16(c)(13); 1485.23(d); MAP 98010.
3. **Review Steps.**
  - a. Schedule all nonexpendable property purchases and leases made during the review period.
  - b. Determine whether nonexpendable property purchases and leases were authorized in the activity plan.
  - c. Verify that leases are in writing and do not extend beyond the current activity plan year.
  - d. Verify that the Participant has not used CCC resources to purchase, lease (except during authorized travel

status), or repair motor vehicles.

- e. Trace nonexpendable property purchased during the review period to the inventory record.
- f. Ensure that the inventory record properly identifies each item purchased with CCC resources.
- g. Select a sample of nonexpendable property items and physically verify their existence and use for activity purposes.
- h. Verify that the Participant properly disposed of project property.
- i. Verify that the Participant has insured all nonexpendable property purchased with MAP resources.

#### **F. Compensation and Allowances for U.S. Citizen and Foreign National Employees.**

1. **Purpose.** To determine whether compensation and allowance expenses for U.S. citizen and foreign national employees conform to MAP limitations.
2. **Reference.** 7 CFR 1485.15(d); 1485.16(c)(1) through (6) and 1485.19.
3. **Review Steps.**
  - a. Verify that U.S. citizen and foreign national employees are hired under written contract.
  - b. Verify that compensation and allowances paid to U.S. citizen employees or contractors do not exceed 125 percent of

the General Schedule Grade 15, Step 10 salary, and allowances do not exceed the rate authorized for U.S. Embassy personnel.

- c. Verify that non-allowance expenses such as home leave travel, rest and relaxation travel, or dependents education travel are reimbursed at the rates and frequencies applicable to U.S. Embassy personnel.
- d. Verify that salary expenses for foreign national employees do not exceed the rates prescribed for equivalent positions in the local U.S. Embassy Foreign Service National (FSN) Salary Plan.  
  
If an FSN salary plan does not exist, verify that compensation does not exceed prevailing local levels.
- e. If a foreign national serves as a country or regional director, verify that compensation payments are limited to a one or two grade increase, respectively, over the existing top grade of the FSN Salary Plan. The increases are calculated as the percentage difference between the second highest and highest grade in the FSN Salary Plan with that percentage applied to each of the steps in the top grade.
- f. Selectively trace compensation and allowance expenses for

U.S. citizen and foreign national employees to supporting documentation.

### G. Daily Contractors

1. **Purpose.** To determine whether daily contractors fees comply with MAP limitations.
2. **Reference.** 7 CFR 1485.16(c)(7).
3. **Review Steps.** On a sample basis verify that:
  - a. Daily contractors are hired under written contract.
  - b. Daily contractor fees do not exceed the daily gross salary of a GS-15, Step 10.
  - c. Daily contractor billings include a schedule of days worked.
  - d. Contract objectives are met.

### H. Travel

1. **Purpose.** To determine whether travel expenses comply with the Federal Travel Regulations.
2. **Reference.** 7 CFR 1485.16(c)(8) through (11); 1485.20(B)(2); MAP 00-003; MAP 99-009; MAP 97-015.
3. **Review Steps.** Review travel expense claims on a sample basis. Verify that:
  - a. Per diem and miscellaneous expense claims comply with the Federal Travel Regulations.

- b. Air travel claims do not exceed the full fare economy equivalent and that they comply with the "Fly America Act."
- c. Travel advances are not claimed for reimbursement until the travel is completed.
- d. The Attache/Trade Officer in the destination country was notified in advance of any travel.
- e. Trip reports were submitted no later than 45 days after completion of the travel.

### I. STRE

1. **Purpose.** To determine whether STRE expenses comply with MAP limitations.
2. **Reference.** 7 CFR 1485.16(c)(20); MAP 97-016.
3. **Review Steps.** Review STRE expenses on a sample basis. Verify that:
  - a. Per capita costs equal American Embassy representational funding guidelines.
  - b. The Attache/Trade Officer provided written authorization for STRE claims that exceed Embassy limitations.
  - c. Attendees include persons other than Participant and U.S. government employees.
  - d. No STRE was reimbursed for events occurring in the U.S.

### J. CONTRACTING FOR GOODS AND SERVICES

1. **Purpose.** To determine whether the Participant's contracting standards ensure that the terms, conditions and costs of contracts for goods and services result in the most effective and economic use of MAP resources.
2. **Reference.** 7 CFR 1485.23(c); MAP 97006.
3. **Review Steps.** Select a sample of contract actions and verify that:
  - a. Some form of cost or price analysis was made.
  - b. Documentation supports the basis for the award including justification for not selecting the lowest bidder.
  - c. The action did not result in a conflict of interest.
  - d. The amounts paid agreed with the contract provisions.
  - e. The contracted goods or services were provided.

### K. CONTRIBUTIONS

1. **Purpose.** To determine whether contributions equal the percentage specified in the annual approval letter, and were eligible and properly documented.
2. **Reference.** 7 CFR 1485.13(c); 1485.20(b)(1) and 1485.21.
3. **Review Steps.**
  - a. Verify that the End-of-Year report was

submitted to FAS no later than 6 months after the end of the activity plan year.

- b. On a test basis, trace reported contributions to source documentation. Verify that contributions were:

- (1). For approved activities.

- (2). Eligible.

- (3). Not reimbursed to the contributor by any other source.

- c. Verify that the values placed on in-kind contributions were reasonable.
- d. Determine whether the Participant's contribution equals the percent specified in the annual approval letter.

#### **L. BRANDED COMPANY ACTIVITIES/EXPENSES**

1. **Purpose.** To determine whether export sales and U.S. content information contained in a branded company's application is accurate, 50 percent of the commodity or product ingredients are of U.S. origin, U.S. origin identification is included on all promotional material, and reimbursed expenses are authorized and supported by proof of payment.
2. **Reference.** 7 CFR 1485.13; 1485.16; 1485.23(e); MAP97-004; 97-020; MAP98-007; MAP98-019; and MAP99-003.
3. **Review Steps.**

- a. Extract export sales data from the branded company's application and verify against the company's accounting records.

- b. Obtain the company's U.S. content origin certification and verify the veracity of the statement.

For processed products it may be necessary to obtain product recipes along with additives, or other information that separately identifies ingredients in the promoted product.

- c. Trace all branded reimbursement claims to supporting documentation. Verify that:

- (1). Reimbursed expenses are limited to authorized direct promotional expenses.

- (2). All product labels, promotional material and advertising include U.S. origin identification.

- (3). The origin identification is conspicuously displayed, in a manner that is easily observed.

- d. Verify that 100 percent of the claimed expenses were paid by the branded company. Acceptable proof of payment documentation includes, but is not limited to, canceled checks, wire transfer documents, bank

statements, vendor receipts, and credit memos.

- e. Verify the branded company's size certification (either annual receipts or number of employees) against supporting documentation.

Documentation may come from regular books of account such as the general ledger, journals or other books of original entry, or from the tax return; or from employment and/or payroll records.

#### **M. ADDITIONALITY**

1. **Purpose.** To determine whether the MAP resources received by the participant supplement, but not supplant, any private or third party funds or other contributions to program activities.
2. **Reference.** 7 CFR 1485.13(2)(G).
3. **Review Steps.** Review and evaluate the documentation provided by the participant to support its additionality certification. This should include discussions with participant personnel familiar with the certification, a review of narrative documentation or other data used to support the certification, and a review of any financial data, such as export sales data, advertising and promotional expenditures, used to support the certification.

Review of the participant's records supporting the certification, coupled with

discussions with the participant should be sufficient to reach a conclusion on the reliability of the certification. If an adverse conclusion is reached on the reliability, full disclosure should be included in the review report.

reviewed for prompt and proper resolution.

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If you have any comments or suggestions about this guide, please address them to Lawrence Chamorro or Barbara Shumar at (202) 720-6713, fax (202) 720-7138, or e-mail: [chamorro@fas.usda.gov](mailto:chamorro@fas.usda.gov) or [shumar@fas.usda.gov](mailto:shumar@fas.usda.gov)

## **N. CIVIL RIGHTS**

1. **Purpose.** To determine whether the participant carries out the MAP in compliance with all requirements regarding nondiscrimination as contained in Federal and USDA regulations.
2. **Reference.** 7 CFR Part 15; 12 CFR 202; MAP 97-021.
3. **Review Steps.**
  - a. Obtain a copy of the participant's Civil Rights Self Certification Evaluation Checklist. (The certification must accompany each agreement and each subsequent amendment.)
  - b. Through observation and analysis make sufficient tests to determine whether the information contained on the Self Certification Checklist is valid.
  - c. Complete the Participant Evaluation Questionnaire while reviewing the information contained on the Self Certification Checklist.
  - d. Any observed discrimination complaints should be